



May 4, 2023

TO: Board Members, Madera County Transportation Commission
FROM: Gus Khouri, President
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RE: STATE LEGISLATIVE UPDATE – MAY 2023

The legislature is currently deliberating on how to address the \$22.5 billion shortfall identified in the Governor's FY 23-24 January Budget. Items will remain open until the May revision is released. Recent estimates suggest that the deficit has increased to \$26 billion and may swell to over \$40 billion once the May Revision is published by May 14. The Internal Revenue Service and Franchise Tax Board delayed tax collection until October, which will impact accurate accounting for items such as personal income tax, corporate tax, and capital gains revenue, all major funding components for the General Fund. Per the Constitution, the legislature must submit a balanced budget to the Governor by June 15. The Governor must sign by June 30. Due to its reliance on special funds such as the gas tax and vehicle registration fee, transportation is fairly insulated from impacts to the General Fund. Still, there is General Fund revenue being proposed to supplement public transit.

AB 180 (Committee on Budget), Statutes of 2022, includes intent language to allocate \$4 billion over FY 23-24 and FY 25-26 (\$2 billion each fiscal year) through the Transit Capital and Intercity Rail Program to Metropolitan Planning Organizations such as MCTC using the State Transit Assistance formula to supplement transit capital and operation's needs. This funding was conditioned upon the availability of General Fund resources, which reached a record \$97.5 billion balance for FY 22-23. The legislature does have \$34.5 billion in the Rainy-Day Fund, but the fulfillment becomes more challenging if the deficit exceeds this figure. At least \$2 billion is expected to be made available for FY 23-24, and the remaining \$2 billion for FY 25-26 will be considered later.

We are working on an opportunity to commence additional work along Highway 99. This winter's storms and the flooding occurring in the region, and increased investments into goods movement underscore the need to address safety and throughput. In his proposed FY 23-24 State Budget, the Governor referenced that since the Rainy-Day Fund is at capacity, per the Constitution, \$951 million must be spent on infrastructure, which includes roadways. Much like last year, we are working with legislators representing the Bay Area, Central Coast, Inland Empire, and San Joaquin Valley other to discuss the distribution of these funds.

The legislature reconvened from Spring Recess on April 10. They will focus on bills, which must progress to the Appropriations Committee of each house by April 28 if keyed fiscal, meaning a cost is associated with enactment, and May 5, if keyed non-fiscal, to move to the Floor. Bills that make it to fiscal committees must be heard by May 19 and be approved by June 2 off the floor of each house. Policy committees must complete their business by July 14 (start of Summer Recess, back on August 14), fiscal committees by September 1, and all business by the floor of each house by September 14, to be considered for signature by the Governor by October 14.

Indirect Coast Rate Proposal

Caltrans charges an indirect cost rate to self-help counties for work on the state highway system. That cost is capped at 10 percent through June 30, the end of the FY 20-21 fiscal year, through SB 848 (Committee on Budget), Chapter 46, Statutes of 2018. The legislature failed to authorize an extension of the 10 percent cap, partly because Caltrans failed to submit a statutorily required report, resulting in costs ballooning to over 27 percent for a project on State Route 233 in Chowchilla. MCTC will also work with the Self-help Counties Coalition to reinstate the cap and ensure that relief is retroactive to avoid escalating costs associated with project delivery on priority projects on the state highway system. This will be attempted through a budget trailer bill that has yet to be identified. Senator Marie Alvarado-Gil has put in a budget item request on this issue.

State Agency Update

Caltrans Director Tony Tavares, a former Caltrans District 4 and 7 Director, who is Governor Newsom's appointment, was confirmed by the Senate Rules Committee on April 12. The Senate Floor will take up the matter to provide final confirmation and must do so by June 23.

California Transportation Commission (CTC) Executive Director, Mitch Weiss, resigned after the March 23 commission meeting. Deputy Executive Director, Tanisha Taylor, will serve as Interim Director while the CTC finds a permanent director, which could also be Ms. Taylor.

Bills of Interest

AB 557 (Hart)

This bill would remove the January 1, 2024, sunset on the Brown Act exemptions for boards to meet virtually during a state of emergency declaration provided under AB 361 (Rivas), Chapter 165, Statutes of 2021. **Status:** Assembly Floor

AB 1525 (Bonta)

The bill would require the California State Transportation Agency, California Transportation Commission, and Caltrans, on or before July 1, 2026, and triennially thereafter, to jointly establish a percentage, of at least 60%, of funds allocated for each agency, excluding administrative costs, to be allocated for projects that are located in priority populations, address an essential need of priority populations, and provide at least five direct, meaningful, and assured benefits, or additional co-benefits, to priority populations, and would require those entities to allocate funds consistent with that established percentage.

Status: Assembly Appropriations

SB 537 (Becker)

This bill has been amended to allow multijurisdictional bodies to meet virtually. Multijurisdictional means a legislative body that includes representatives from more than one county, city, city and county, special district, or a joint powers entity. **Status:** Senate Floor